

## AMENDMENTS TO THE SPECIFICATION

Please replace the paragraph beginning at page 10, line 1, to the end of page 12 with the following rewritten paragraph:

**TABLE 3**

### HOTSHOT BIOMEDICAL, INC.

#### COMPARABLE COMPANY VALUATION ANALYSIS

Comparable Companies		Financial Information (all in \$1,000,000 except per share data)							Market Multiples
Name	Symbol	Price Per Share	MktCap	Debt	Enterprise Value	Revenue	Net Income	EV/Rev	EV/NI
Vivus	VVUS	\$	\$ 137.62	\$ -	\$ 137.62	\$ 24.85	\$ (3.89)	5.54	(35.39)
Connetics	CNCT	17.98	572.09	90.00	662.09	69.958	-11.231	9.46	(58.95)
Cambrex	CBM	25.40	655.14	268.00	923.14	434.233	4.115	2.13	224.34
Medicis	MRX	71.76	1,970.00	453.00	2,423.00	252.089	12.213	9.61	198.40
Enzon	ENZN	12.27	534.00	400.00	934.00	161.983	35.746	5.77	26.13
Water's	WTRS	6.93	16.00	3.50	19.50	25.14	0.70	0.78	27.94
Instruments									
ZEVES	ZVXI	3.99	13.57	2.78	16.35	26.67	(0.23)	0.61	(72.03)
International									
Anika	ANIK	8.91	88.98	-	88.98	14.86	.86	5.99	104.07
Therapeutics									
Cholestec	CLEC	7.57	105.86	131.80	237.66	304.86	(17.98)	0.78	(13.22)
Surmodics	SRDX	23.97	417.96	-	417.96	43.23	13.94	9.67	29.99
<u>Arithmetic Mean</u>			\$ 451.12	\$ 134.91	\$ 586.30	\$ 135.79	\$ 3.42	5.03	43.13
<u>Composite</u>									
Specialty Pharma			\$ 773.77	\$ 242.20	\$ 1,015.97	\$ 188.62	\$ 7.39	6.50	70.90
Medical Devices			\$ 128.47	\$ 27.62	\$ 156.09	\$ 82.95	\$ (0.54)	3.56	15.35

Hotshot Biomedical vis-à-vis Composite (n=10)			
Revenue (Year 5)	\$ 57,600,000	Net Income (Year 5)	\$ 13,200,000
Market Multiple	5.03	Market Multiple	43.13
Gross Value	\$ 289,893,290	Gross Value	\$ 569,283,162
Liquidity Discount Rate	0.25	Liquidity Discount Rate	0.25
	\$ 72,473,322		\$ 142,320,791
Minority Discount Rate	0.67	Minority Discount Rate	0.67
	\$ 48,557,126		\$ 95,354,930
Risk Discount (PVIF 50%)	\$ (42,162,772)	Risk Discount (PVIF 50%)	\$ (82,797,902)
Valuation	\$ 6,394,354	Valuation	\$ 12,557,028

Hotshot Biomedical vis-à-vis Speciality Pharmaceuticals (n=5)			
Revenue (Year 5)	\$ 57,600,000	Net Income (Year 5)	\$ 13,200,000

Market Multiple	6.50	Market Multiple	70.90
Gross Value	\$ 374,461,296	Gross Value	\$ 935,933,624
Liquidity Discount Rate	0.25	Liquidity Discount Rate	0.25
	\$ 93,615,324		\$ 233,983,406
Minority Discount Rate	0.67	Minority Discount Rate	0.67
	\$ 62,722,267		\$ 156,768,882
Risk Discount (PVIF 50%)	\$ (54,462,545)	Risk Discount (PVIF 50%)	\$ (136,124,420)
Valuation	\$ 8,259,722	Valuation	\$ 20,644,462

Hotshot Biomedical vis-à-vis Medicak Devices (n=5)			
Revenue (Year 5)	\$ 57,600,000	Net Income (Year 5)	\$ 13,200,000
Market Multiple	3.56	Market Multiple	15.35
Gross Value	\$ 205,325,283	Gross Value	\$ 202,632,700
Liquidity Discount Rate	0.25	Liquidity Discount Rate	0.25
	\$ 51,331,321		\$ 50,658,175
Minority Discount Rate	0.67	Minority Discount Rate	0.67
	\$ 34,391,985		\$ 33,940,977
Risk Discount (PVIF 50%)	\$ (29,862,999)	Risk Discount (PVIF 50%)	\$ (29,471,383)
Valuation	\$ 4,528,986	Valuation	\$ 4,469,594

### HOTSHOT BIOMEDICAL, INC.

#### COMPARABLE COMPANY VALUATION ANALYSIS - CONTINUED

		Revenue Basis		Net Income Basis	
High	\$ 8,259,722	Specialty Pharma	\$ 20,644,462	Specialty Pharma	
Mild	\$ 6,394,354	Composite	\$ 12,557,028	Composite	
Low	\$ 4,528,986	Medical Devices	\$ 4,469,594	Medical Devices	
Arithmetic Mean	\$ 6,394,354		\$ 12,557,028		
80%	\$ 6,607,778	Specialty Pharma	\$ 16,515,570	Specialty Pharma	
20%	\$ 905,797	Medical Devices	\$ 893,919	Medical Devices	
Weighted mean	\$ 7,513,575		\$ 17,409,488		

Summary Valuation			
	Revenue Basis - Arithmetic	\$ 6,394,354	
	Revenue Basis - Weighted	\$ 7,513,575	
	Net Income Basis - Arithmetic	\$ 12,557,028	
	Net Income Basis - Weighted	\$ 17,409,488	
	Arithmetic Mean Value	\$ 10,968,611	
	Median Value	\$ 10,035,302	

When all Primary Analysts' Bids are accepted, they will be memorialized (e.g., converted to PDF) and then posted for example, on the web site described below, for review by all Primary and Secondary Analysts. During Primary Pricing, each Primary Analysts will present and defend his/her analysis, and critique the others, all the while electronically submitting new Bids to the Market Maker which other Analysts cannot see, until each submits a Final Bid (or "revised company valuation"). At the close of Primary Pricing, Primary Analysts will be compensated from a fixed pool of US Dollars set up by the Market Maker. A Summary of Primary Pricing is shown below in Table 4:

**TABLE 4**

**Primary Pricing**

TASK	RESPONSIBILITY	SUB-TASK	DESCRIPTION
1. Prepare Numeria	Market Maker	a	Assign ticker symbol to client firm
		b	Start web platform
		c	Populate, test, and load case data file
		d	Log on to moderator screen, confirm set up
		e	Start price history (print sheet)
		f	Log on to client screen, confirm set up
		g	Permit log ons and price changes
2. Sign On	Primary Analysts Client	a	Log onto web platform (www.numeria.waterfordadvisors.com)
		b	Activate telephony (Conferencecall.com)
3. Introduction	Financial Advisor Market Maker	a	Welcome participants
		b	Confirm ticker symbol, purpose of valuation
		c	Roll call of Primary Analysts
		d	Confirm mean initial value
		e	Announce Put/Call ratio (from Secondary Analysts)
		f	Announce order of operations
4. Pricing	Primary Analysts	a	Present and defend analyses
		b	Submit email requests to Market Maker for client question(s)
		c	If granted by Market Maker, pose question(s) to clients
		d	Submit new prices at will
5. Closing	Market Maker	a	Call for final prices
		b	Deny price changes

Please replace Page 15, line 1 to the end of page 16 with the following:

may do so by purchasing Rich, Lean or Fair Options from the Market Maker. In addition, Primary Analysts may also purchase options to hedge their Initial Bids. The price of each option will be determined by the Market Maker, as will the number units available of each (based on underwriting considerations).

Rich Options are appropriate if the Analyst believes, after reviewing all of the Initial Bids, that the Mean Final Value (MFV) will be less than the MIV. If, during Primary Pricing, the MFV is indeed more than 5% below the MIV, then the options will be “in the money” and the Analyst will receive a payoff of two times his principal, for example. If they are out of the money, they expire worthless. Lean Options are appropriate if the Analyst believes that the MFV will be higher than the MIV. If it is indeed more than 5% higher than the MIV, then the Analyst will receive a payoff of two times his principal, for example. Otherwise, they expire worthless. Fair Options are appropriate if the Analyst believes that the MIV is fair and the MFV will be no more than 5% above or below the MIV. If so, the Analyst will receive a payoff of five times his principal, for example; if not, they are worthless.

Each Analyst who wants to purchase one or more Rich, Lean or Fair Options must communicate (for example by email) his request to the Market Maker by a prescribed time. The Market Maker will be under no obligation to fill each order, in whole or part, and will do so only within its own underwriting constraints. At the opening of Primary Pricing, the Market Maker will communicate the number of Rich, Lean and Fair option orders that have been placed. Following the completion of Primary Pricing, payments to the Analysts whose options closed in the money will follow normal settlement procedures. A non-limiting example of one possible option-based secondary pricing structure is provided in Table 6 and Table 7:

**TABLE 6**

Secondary Pricing

NUMERIA

Option Prices are set at \$25.00 each (arbitrary), and units available are limited by WALLC underwriting risk

		<u>Factor</u>			
<u>If Analyst thinks MIV is:</u>		If MIV>MFV, then payoff if +	2	\$	50.00
Too High, then buy a Rich Option	\$ 25.00	If MIV<MFV, then payoff if -	-	\$	-
		If MIV>MFV, then payoff if -	-	\$	-
Too Low, then buy a Lean Option	\$ 25.00	If MIV<MFV, then payoff if +	2	\$	50.00

If MIV>MFV, then payoff if - - \$ -

Fair, then buy a **Fair Option** \$ 25.00

If MIV<MFV, then payoff if - - \$ -

If MIV=MFV, then payoff is + 5 \$ 125.00

\* Delta must be > +/- 5% of MIV

		<u>Winner</u>		<u>Rich</u>	<u>Lean</u>	<u>Fair</u>	<u>Total</u>
Scenario I:	MIV>MFV	Rich		200	225	10	435
			Revenue	\$ 5,000.00	\$ 5,625.00	\$ 250.00	\$ 10,875.00
			Payoff	<u>\$ 10,000.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000.00</u>
			Net	\$ (5,000.00)	\$ 5,625.00	\$ 250.00	\$ 875.00
Scenario II:	MIV>MFV	Lean		200	225	10	435
			Revenue	\$ 5,000.00	\$ 5,625.00	\$ 250.00	\$ 10,875.00
			Payoff	<u>\$ -</u>	<u>\$ 11,250.00</u>	<u>\$ -</u>	<u>\$ 11,250.00</u>
			Net	\$ (5,000.00)	\$ 5,625.00	\$ 250.00	\$ 375.00
Scenario III:	MIV=MFV	Fair		200	225	10	435
			Revenue	\$ 5,000.00	\$ 5,625.00	\$ 250.00	\$ 10,875.00
			Payoff	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,250.00</u>	<u>\$ 1,250.00</u>
			Net	\$ 5,000.00	\$ 5,625.00	\$ 1,000.00	\$ 9,625.00

**TABLE 7**

**SECONDARY PRICING**

TASK	RESPONSIBILITY	SUB-	DESCRIPTION
1 Analyst Selection	Managing Partner	None	By email to Secondary Analysts, present client profile, purpose of valuation, and deliverable schedule
2 Bid Analysis	Secondary Analysts	None	Critique summary valuation analyses by Primary Analysts
3 Submit Orders	Secondary Analysts	a	By email, submit Lean options to Market Maker
		b	By email, submit Rich options to Market Maker
		c	By email, submit Fair options to Market Maker
4 Accept/Decline Orders	Market Maker	a	Review all orders, first come first served
		b	Allocate put, call and fair price dollars based on Secondary Analyst Pool and lean, rich and fair options
		c	By email, notify Secondary Analysts of Accepted/Declined orders
5 Close - Primary Pricing	Market Maker	None	Announce Mean Final Price
6 Settlement	Market Maker	a	Confirm lean, rich and fair options by each Secondary Analyst
		b	Confirm mean initial and mean final prices
		c	Allocate Secondary Analyst Pool
		d	Process payments